

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 H-01 INR-10 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07 SP-02
SS-15 STR-07 TRSE-00 ACDA-12 PA-01 /109 W
-----025857 291947Z /45

R 291831Z MAR 78

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 5763

INFO ALL EC CAPITALS

DOE WASHDC

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USEEC

PARIS ALSO FOR OECD

E.O.11652:N/A

TAGS: ENRG, EEC

SUBJECT: EC COMMISSION PLANS FOR BILATERAL CONSULTATIONS
WITH OIL COMPANIES

REF: BRUSSELS 4946

1. AS INDICATED REFTEL, THE EC COMMISSION IS CONTINUING WITH ITS PLANS TO GATHER FURTHER INFORMATION ON THE EC PETROLEUM REFINERY INDUSTRY AND TO HOLD BILATERAL CONSULTATIONS WITH THE OIL COMPANIES. IT IS SEEKING TO DO THIS IN A MANNER WHICH WILL AVOID BOTH US AND EC ANTI-TRUST PROBLEMS AND ALSO BE ACCEPTABLE TO THOSE OIL COMPANIES (LARGELY AMERICAN) WHICH HAD EXPRESSED RESERVATIONS ON ANY COMMISSION PLANS TO RESTRICT REFINERY THROUGHPUT OR SET TARGETS FOR REFINERY CLOSURES OR PRODUCT IMPORTS FOR THE EC AS ORIGINALLY ENVISAGED.

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2. IN A STANDARD LETTER TO ALL COMPANIES WHICH OPERATE PETROLEUM REFINERIES IN THE EC MEMBER STATES SUPPLYING THE COMMUNITY OIL MARKET, DIRECTOR GENERAL FOR ENERGY LEONARD WILLIAMS REFERS TO INDIVIDUAL CONSULTATIONS WITH OIL COMPANIES IN DECEMBER 1977 AND TO PREPARATIONS FOR THE COUNCIL OF ENERGY MINISTERS ON MAY 30. HE ASKS THE COMPANIES TO PROVIDE AN "UPDATE OF THE INFORMATION

PROVIDED IN DECEMBER", IN PARTICULAR:

-- PLANS FOR "FURTHER CLOSURE OF DISTILLATION CAPACITY AFTER JANUARY 1, 1978" AND INDICATIONS WHETHER EXCESS CAPACITY IS TO BE: SCRAPPED; MOTHBALLED; PERMANENTLY SHUT DOWN; TEMPORARILY SHUT DOWN (WITH INDICATION OF DURATION); OR CONVERTED TO OTHER USE. PERMANENTLY SHUT DOWN; TEMPORARILY SHUT DOWN (WITH INDICATION OF DURATION); OR CONVERTED TO OTHER USE.

-- PLANNED 1978 REFINERY RUNS (EXCLUDING EXPORTS OUTSIDE THE EC AND PRODUCTS FOR EC USE OUTSIDE THE ENERGY SECTOR, E.G., PETROCHEMICAL FEEDSTOCKS).

3. THE LETTER ALSO ASKS FOR "COMMENTS AND OBSERVATIONS ON THE PLANS" AND ASSURES THE COMPANIES THAT INFORMATION PROVIDED WILL BE TREATED WITH COMPLETE CONFIDENTIALITY. WILLIAMS ASKS THAT THE INFORMATION REACH THE COMMISSION BY APRIL 10 AND NOTES THAT THE COMMISSION WILL CONTACT THE COMPANY "IN DUE COURSE TO ARRANGE SUITABLE CONSULTATIONS IN LATE APRIL/EARLY MAY."

4. COPY OF THE LETTER TO THE COMPANIES WAS SENT TO AMBASSADOR HINTON BY WILLIAMS UNDER COVER OF A LETTER REFERRING TO EC COMMISSIONER BRUNNER'S MARCH 10 MEETING WITH THE OIL COMPANIES AND PROMISING A COPY OF THE "UNOFFICIAL MINUTES". (THESE MINUTES AND COPIES OF THE LIMITED OFFICIAL USE

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WILLIAMS' LETTERS HAVE BEEN POUCHED TO EUR/RPE-STOCKER AND EB/FSE-MARTIN.) THIS LETTER NOTES THAT THE COMMISSION IS "ASKING EACH COMPANY INDIVIDUALLY FOR UPDATED INFORMATION ON THEIR 1978 REFINERY PLANS." IT INCLUDES THE FOLLOWING TWO PARAGRAPHS QUOTED IN FULL:

BEGIN QUOTE

THE CONSULTATIONS WE ARE PLANNING WILL BE ARRANGED ON A CONFIDENTIAL BASIS BETWEEN INDIVIDUAL COMPANIES AND THE COMMISSION, AND THE RESULTING DATA WILL BE USED FOR INFORMATION PURPOSES ONLY BY THE COMMISSION IN ITS ASSESSMENT OF THE OVERALL COMMUNITY SITUATION.

WE TRUST THAT, ON THIS BASIS, THERE SHOULD BE NO PROBLEMS FOR THE US BASED COMPANIES PROVIDING THE INFORMATION NEEDED BY THE COMMISSION. END QUOTE

5. HENDRIK TENT, HEAD OF THE OIL REFINERY SECTION OF THE COMMISSION'S OIL AND GAS DIRECTORATE, TOLD A MISSION OFFICER THAT THE COMMISSION HOPES TO GAIN THE COOPERATION OF THE OIL COMPANIES BY AVOIDING IMPLICATIONS THAT THIS EXERCISE WILL BE USED TO COORDINATE ON THE ESTABLISHMENT

OF THROUGHPUT TARGETS OR ON CLOSURE OF REFINERIES. THE INFORMATION WHICH THE COMMISSION HOPES TO OBTAIN FROM THE COMPANIES WILL BE USED TO OBTAIN A MORE ACCURATE AND UP-TO-DATE ASSESSMENT OF THE PETROLEUM REFINERY SITUATION IN THE COMMUNITY FOR THE MAY ENERGY COUNCIL AND AS BACKGROUND INFORMATION WHICH MIGHT BE OF USE IN FURTHER CONSULTATIONS WITH OIL COMPANIES. TENT SAID THAT BRUNNER ALSO WROTE UK MINISTER OF ENERGY BENN TO INFORM HIM OF THE COMMISSION'S INTENTION TO PROCEED. TENT NOTED THATAFTER BENN HAD CONSULTED WITH UK OIL INDUSTRY MANAGEMENT AND LABOR UNIONS ON THE PROBLEM, THE UK REPRESENTATIVES AT THE MARCH 21 MEETING OF THE COUNCIL'S HIGH LEVEL ENERGY GROUP RAISED NO OBJECTIONS; AS A RESULT, TENT THOUGHT

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SS-15 STR-07 TRSE-00 ACDA-12 PA-01 /109 W
-----025851 291946Z /45

R 291831Z MAR 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 5764
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BENN WAS NOW WILLING TO GO ALONG.

6. A US OIL COMPANY ATTORNEY THOUGHT THAT IN ITS RECENT CORRESPONDENCE THE COMMISSION APPEARS INDEED TO HAVE BACKED OFF ITS EARLIER MORE AMBITIOUS GOALS TO "RATIONALIZE" THE EC OIL REFINERY SITUATION. HE PERSONALLY FEELS THAT THE LETTERS PER SE SHOULD NOT RAISE US ANTI-TRUST PROBLEMS, BUT ADMITTED THAT OTHER LAWYERS MIGHT NOT AGREE. HE SAID THAT HIS OWN COMPANY HAS NOT YET DECIDED WHETHER TO PROVIDE THE REQUESTED

DATA WHICH GOES BEYOND THE HISTORICAL FACTUAL INFORMATION
SUPPLIED IN DECEMBER SINCE THE COMMISSION IS NOW REQUEST-
ING PLANS FOR FUTURE REFINERY CLOSURES AND THROUGHPUT.
MORRIS

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM PRODUCTION, BUSINESS FIRMS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BRUSSE06180
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780136-0908
Format: TEL
From: BRUSSELS EEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780315/aaaaamld.tel
Line Count: 173
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: a223febb-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 BRUSSELS 4946
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3174845
Secure: OPEN
Status: NATIVE
Subject: EC COMMISSION PLANS FOR BILATERAL CONSULTATIONS WITH OIL COMPANIES
TAGS: ENRG, BE, US, EEC
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/a223febb-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014